



IN R E P L Y R E F E R T O

DEFENSE CONTRACT AUDIT AGENCY
8725 JOHN J. KINGMAN ROAD, SUITE 2135
FORT BELVOIR, VA 22060-6219

OWD 720.1

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98-OWD-076(R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
DIRECTOR, FIELD DETACHMENT, DCAA

SUBJECT: Audit Management Guidance for Integrated Product Team (IPT) Assignments

The purpose of this memorandum is to restate and clarify previous audit management guidance. Recent field visits, field requests, and review of the Agency Management Information System indicates there is considerable confusion regarding integrated product team assignments and when activity code 22000 should be charged.

Integrated product teams or IPTs are composed of representatives from all appropriate functional disciplines working together with a team leader to build successful and balanced programs, identify and resolve issues, and make sound and timely decisions. It does not matter what the procurement and administrative offices specifically call the effort. The attributes to be aware of are (i) there is usually a formal request for audit assistance, (ii) there is a review team, (iii) there is a team leader, and (iv) the team may require assistance at any stage of the proposal or negotiation process.

In a May 1995 memorandum, the Secretary of Defense endorsed the concept and directed that IPTs be applied throughout the acquisition process to the maximum extent practicable. It's clear the Secretary wanted IPTs used whenever appropriate. DCAA was and still is predominantly involved with price proposal IPTs. A concern expressed at that time was that price proposal IPT efforts would dramatically impact elapsed days, dollars examined, and questioned cost statistics. Since there was virtually no 22000 activity, it appeared we could easily keep IPT activity separate and apart from normal 21000 activity by using the 22000 activity code for price proposal IPTs. We issued two memorandums for regional directors with guidance for integrated product team assignments. In November 1995, we issued 95-OWD-174(R) and in January 1996, we issued 96-OWD-011(R). This guidance specifically defines IPTs and details charging activity code 22000.

In addition to these two memorandums, we also issued memorandum 96-OWD-041(R) in April 1996 providing guidance that restructuring activity be charged to activity code 23000, forward pricing rate agreements. This code should be used if there is a formal proposal and the restructuring has an impact on the forward pricing rates. In May 1996, we issued memorandum 96-OWD-062(R) providing guidance to charge activity code 28000, agreed upon procedures, for single process initiative assignments. A good deal of the confusion seems to emanate from these memorandums. The guidance has been misinterpreted that any request for any audit that mentions an IPT approach should be set up as a 22000 assignment. This was not our intention; each memorandum stands on its own.

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Activity code 22000 should only be used when DCAA is participating on an IPT for a price proposal. An IPT assignment should not be set up unless there is **actually** an integrated product team and DCAA **actually** participates on the team. An IPT assignment should not be left open indefinitely. One of the purposes of an IPT is to make sound and **timely** decisions. If a reasonable amount of time goes by on an IPT with no activity, we should question the team leader about the need for our services. If we determine our participation is not required we should inform the team leader that we are canceling our assignment and that we will initiate a new assignment if our participation becomes needed.

We have been asked about FMIS disposition of IPT assignments. The Contract Audit Manual (CAM) Chapter 1-806c states "In all cases, the FAO will issue an audit report to communicate the proposal evaluation results from the auditor's participation on an IPT". In FMIS, there are three codes for dispositioning an assignment. Code R is report issued designating that a formal audit report meeting CAM guidelines was issued. Code N is no report issued; this includes closing an assignment with a memorandum for the record. Code C is cancelled designating that the assignment was terminated prior to completion. In other words IPT assignments are treated just like any other assignment when it comes to FMIS disposition.

Any request for DCAA assistance on an IPT other than a price proposal IPT should be set up using the activity representative of the work to be done. For example, an IPT on restructuring that impacts forward pricing rates would be set up as a 23000 assignment. An IPT for a single process initiative assignment such as a block change would be done under activity code 28000 agreed upon procedures.

FAO questions regarding this memorandum should be directed to the appropriate regional personnel. Regional questions should be directed to John D. Hoffman, Program Manager, Workload Analysis Division (OWD), at (703) 767-2302. Our FAX number is (703) 767-2261.

/s/

Earl J. Newman
Assistant Director
Operations

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